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Senior Loan Officer Survey

on Business-Lending Practices in Canada

Results of the Third-Quarter 2010 Survey

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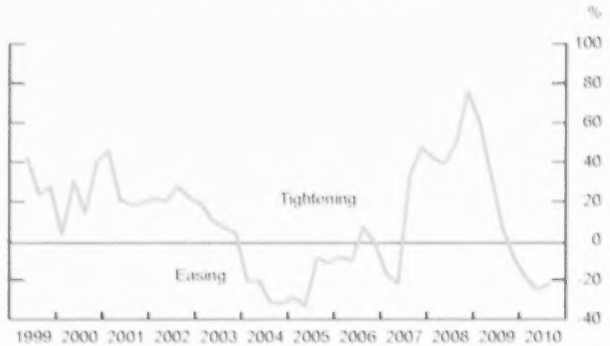
This *Senior Loan Officer Survey* (SLOS) focused on changes to business-lending practices in the third quarter of 2010.

- The survey results point to an overall easing in business-lending conditions during the third quarter of 2010 **(Chart 1)**. Both the price and non-price aspects of business lending eased during the quarter **(Chart 2)**. Note that the balance of opinion indicates only the direction of the change in lending conditions; it does not provide information on the magnitude of the change.
- The improvement in lending conditions continues to spread across borrower categories. For corporate borrowers, lending conditions eased for the fifth consecutive quarter. For commercial borrowers, the survey also points to a material net easing in both price and non-price conditions, following a modest easing during the second quarter. For small businesses, however, lending conditions appeared to be largely unchanged during the third quarter, following a modest easing in the previous quarter.
- Respondents continued to view heightened competition among lenders, improved industry-specific conditions, and a more favourable economic outlook as the key factors underlying the easing in lending conditions.
- The survey findings suggest that, in general, business demand for credit from financial institutions remained modest during the third quarter.

Chart 1: Lending conditions continued to ease for Canadian non-financial firms . . .

Overall business-lending conditions: Balance of opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions. Thus, a positive balance of opinion implies a net tightening. The chart shows the average of the balances of opinion for the price and non-price dimensions of lending conditions.

Chart 2: . . . in both price and non-price terms

Price and non-price lending conditions: Balance of opinion*

* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions.

Note: Each series is the simple average of the balances of opinion for the small business, commercial, and corporate sectors.

The Senior Loan Officer Survey collects information on the business-lending practices of major Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. The third-quarter survey was conducted between 7 and 13 September 2010. Additional information on the survey is available on the Bank of Canada's website at <http://www.bankofcanada.ca/en/slos/index.html>.

The survey results summarize opinions expressed by the respondents and do not necessarily reflect the views of the Bank of Canada.

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